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Statement of
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before the
Legislation and National Security Subcommittee
Committee on Government Operations
House of Representatives

Mr. Chairman and Members of the Committee:

We are pleased to be here today to present our views in support of H.R. 3168. This bill requires the Director of the Office of Management and Budget (OMB) to prepare an annual report consolidating available data on the geographic distribution of federal funds. Passing this bill would authorize the publication of the Consolidated Federal Funds Report (CFFR) through fiscal year 1988.

The CFFR was originally authorized by Public Law 97-326, "The Consolidated Federal Funds Report Act of 1982." The report

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presents statistical data from several existing sources on the distribution of federal funds to the state, county, subcounty, and congressional district levels. These data are aggregated by general categories such as grants and procurements. The 1983 CFFR reflected approximately 85 percent of the fiscal year 1983 domestic budget. The majority of funds excluded was net interest on the federal debt, which represented about 12 percent of net domestic outlays. As required by the act, we reviewed the 1983 CFFR and provided this committee and the Senate Governmental Affairs Committee our report, Accuracy, Cost, and Users of the Consolidated Federal Funds Report, (GAO/AFMD-85-1, October 1, 1984). My comments today are primarily based on this review.

We believe there is a need for a comprehensive and consistent source of data on the geographic distribution of federal funds. Data of this type can assist the Congress, executive branch, state and local governments, and others by providing information on how congressional budget allocation decisions and shifts in federal spending affect localities, states, and regions. During our review we found numerous users of geographic funding data. They included the Congress and related congressional organizations such as the Congressional Research Service, as well as state and local government officials and interest groups. Other users included educators and some federal agencies. Their uses for these data varied and included trend analysis and analyses of intergovernmental

relations and policies. Overall, users generally agreed on the need for a comprehensive source, such as the CFFR, to provide information on the geographic distribution of federal funds.

During our review, users indicated a greater need for program-level data rather than data aggregated into general categories such as grants and direct payments. However, many users did express an interest in nonprogrammatic CFFR categories such as procurements and salary and wages. In addition, user groups expressed some interest in data at all geographic levels. The lack of substate data on pass-through programs, such as food stamps and Medicaid, was of particular concern. Most users did not object to the use of allocations or estimates to obtain more detail at the substate levels, as long as an adequate explanation was provided.

The CFFR is compiled into a standardized format from several sources developed for other purposes. As a result, a loss of detail occurs at each successive geographic level. This is due to the data sources not distributing funds to actual recipients and not reporting geographic location by a standardized geographic code. We found that the majority of federal funds are reflected at the state and county levels. However, data at the subcounty level are limited. The report does not show how federal funds are distributed by congressional districts but lists the congressional district(s) associated with each county and municipality. Therefore, we believe the

data at the subcounty and congressional district levels should be used with this limitation in mind.

To increase the amount of detail reported at the various geographic levels, especially subcounty and congressional district, would require system design changes in the data sources. This could involve the collection of additional data or changes in current reporting requirements. Such changes could be costly and create an additional paperwork burden to federal agencies. However, we found reporting at the county level can be improved in another way. Pass-through program funds can be distributed to this level by using estimates or by obtaining fund distributions directly from the states. In response to user needs and our recommendation, OMB and Census included estimates at the county level for eight pass-through programs in the 1984 report. These programs account for approximately \$54 billion and increase the amount of detail at the county level. OMB and Census officials recently told us they will try to provide more pass-through data at the county level in future reports. They have plans under way to obtain substate distributions directly from the states on approximately 12 large grant programs, such as the school lunch program and social services block grants. We support these efforts by OMB and Census to enhance the data.

In summary, we believe a need for comprehensive and useful data on federal expenditures at the state and local levels exists. Though some problems may exist with CFFR's reporting of

funds to various geographic levels, this report is the only comprehensive data source which currently attempts to show the geographic distribution of the majority of federal funds. Also, OMB and Census have taken and are planning further actions to improve the report's usefulness. Therefore, we support the continuation of this type of statistical reporting through the passage of H.R. 3168.

This concludes our statement. We have also provided the committee with written comments on H.R. 3168. We would be pleased to answer any questions you have.